

CITY OF JEFFERSON, IOWA

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2016

CITY OF JEFFERSON, IOWA  
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CITY OF JEFFERSON, IOWA  
OFFICIALS  
June 30, 2016

(Before January, 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Berry	Mayor	January, 2016
Shannon Black	Mayor Pro-Tem	January, 2016
Larry Teeple	Council Member	January, 2018
Lisa Jaskey	Council Member	January, 2016
Gary Von Ahsen	Council Member	January, 2018
Harry Ahrenholtz	Council Member	January, 2018
Diane Kennedy	City Clerk	Appointed
Robert A. Schwarzkopf	Attorney	Appointed

(After January, 2016)

Craig Berry	Mayor	January, 2020
Harry Ahrenholtz	Mayor Pro-Tem	January, 2018
David Sloan	Council Member	January, 2020
Larry Teeple	Council Member	January, 2018
Lisa Jaskey	Council Member	January, 2020
Gary Von Ahsen	Council Member	January, 2018
Diane Kennedy	City Clerk	Appointed
Robert A. Schwarzkopf	Attorney	Appointed

# Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and  
Members of the City Council

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Jefferson's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2015 (none of which are presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2013 (which are not presented herein), were audited by other auditors whose report expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 24 through 28, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and  
Members of the City Council

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2017 on our consideration of the City of Jefferson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Jefferson's internal control over financial reporting and compliance.

Graef Wold, Ben, Kyhan & Co. P.C.

Atlantic, Iowa  
January 25, 2017

CITY OF JEFFERSON, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2016

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 684,080	\$ 29,740	\$ 96,357
Public works	484,532	--	536,952
Health and social services	11,787	--	--
Culture and recreation	1,179,639	489,908	104,325
Community and economic development	718,392	--	32,545
General government	542,338	49,007	6,040
Debt service	532,254	--	--
Capital projects	360,284	--	--
Total governmental activities	<u>4,513,306</u>	<u>568,655</u>	<u>776,219</u>
Business type activities:			
Water	744,915	974,306	--
Sewer	694,510	896,196	1,706
Sanitation	462,399	469,480	--
Recycling	127,180	123,153	--
Total business type activities	<u>2,029,004</u>	<u>2,463,135</u>	<u>1,706</u>
Component Unit:			
Airport	<u>613,136</u>	<u>--</u>	<u>111,209</u>
Total	<u>\$ 7,155,446</u>	<u>\$ 3,031,790</u>	<u>\$ 889,134</u>

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Major Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total Primary Government	
\$ --	\$ ( 557,983)	\$ --	\$ ( 557,983)	\$ --
--	52,420	--	52,420	--
--	( 11,787)	--	( 11,787)	--
--	( 585,406)	--	( 585,406)	--
--	( 685,847)	--	( 685,847)	--
--	( 487,291)	--	( 487,291)	--
--	( 532,254)	--	( 532,254)	--
--	( 360,284)	--	( 360,284)	--
--	( 3,168,432)	--	( 3,168,432)	--
--	--	229,391	229,391	--
--	--	203,392	203,392	--
--	--	7,081	7,081	--
--	--	( 4,027)	( 4,027)	--
--	--	435,837	435,837	--
--	--	--	--	( 501,927)
\$ --	( 3,168,432)	435,837	( 2,732,595)	( 501,927)



CITY OF JEFFERSON, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2016

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>
General Receipts and Transfers:		
Property tax levied for:		
General purposes		
Debt service		
Tax increment financing		
Hotel/motel tax		
Cable television taxes		
Local option sales tax		
Unrestricted interest on investments		
Miscellaneous		
Rent/dividend		
Transfers		
Total general receipts and transfers		
Change in cash basis net position		
Cash basis net position beginning of year		
Cash basis net position end of year		
Cash Basis Net Position		
Restricted:		
Non Expendable:		
Cemetery perpetual care		
Expendable:		
Streets		
Urban renewal purposes		
Debt service		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Governmental Activities	Business Type Activities	Total Primary Government	Discretely Presented Component Unit
	\$ 1,589,600	\$ --	\$ 1,589,600	\$ --
	342,625	--	342,625	--
	118,310	--	118,310	--
	95,767	--	95,767	--
	20,460	--	20,460	--
	491,983	--	491,983	--
	4,744	5,406	10,150	--
	188,614	41,211	229,825	33,327
	--	--	--	51,089
	<u>255,500</u>	<u>( 255,500)</u>	<u>--</u>	<u>--</u>
	<u>3,107,603</u>	<u>( 208,883)</u>	<u>2,898,720</u>	<u>84,416</u>
	( 60,829)	226,954	166,125	( 417,511)
	<u>4,400,977</u>	<u>3,671,369</u>	<u>8,072,346</u>	<u>101,193</u>
	<u>\$ 4,340,148</u>	<u>\$ 3,898,323</u>	<u>\$ 8,238,471</u>	<u>\$ ( 316,318)</u>
	\$ 177,262	\$ --	\$ 177,262	\$ --
	315,156	--	315,156	--
	326,772	--	326,772	--
	1,142,340	36,075	1,178,415	--
	1,276,800	--	1,276,800	--
	<u>1,101,818</u>	<u>3,862,248</u>	<u>4,964,066</u>	<u>( 316,318)</u>
	<u>\$ 4,340,148</u>	<u>\$ 3,898,323</u>	<u>\$ 8,238,471</u>	<u>\$ ( 316,318)</u>

CITY OF JEFFERSON, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 1,066,338	\$ --	\$ --	\$ 523,262
Tax increment financing	--	--	--	--
Other city tax	116,227	--	491,983	--
Licenses and permits	38,555	--	--	--
Use of money and property	38,725	--	--	--
Intergovernmental	166,037	536,953	--	--
Charges for service	373,215	--	--	--
Miscellaneous	280,233	9,383	--	--
Total receipts	<u>2,079,330</u>	<u>546,336</u>	<u>491,983</u>	<u>523,262</u>
Disbursements:				
Operating:				
Public safety	666,464	--	--	--
Public works	100,784	383,748	--	--
Health and social services	--	--	--	--
Culture and recreation	1,156,913	--	--	--
Community and economic development	117,059	--	--	--
General government	542,338	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	277,633	--
Total disbursements	<u>2,583,558</u>	<u>383,748</u>	<u>277,633</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	( 504,228)	162,588	214,350	523,262
Other financing sources (uses):				
Operating transfers in	769,789	--	--	--
Operating transfers out	( 56,796)	( 67,000)	--	( 469,789)
Total other financing sources (uses)	<u>712,993</u>	<u>( 67,000)</u>	<u>--</u>	<u>( 469,789)</u>
Change in cash balances	208,765	95,588	214,350	53,473
Cash balances beginning of year	<u>893,053</u>	<u>219,568</u>	<u>379,933</u>	<u>259,598</u>
Cash balances end of year	<u>\$ 1,101,818</u>	<u>\$ 315,156</u>	<u>\$ 594,283</u>	<u>\$ 313,071</u>

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<u>Special Revenue Urban Renewal Tax Increment</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 342,625	\$ --	\$ 1,932,225
118,310	--	--	118,310
--	--	--	608,210
--	--	--	38,555
--	--	139	38,864
--	--	17,849	720,839
--	--	--	373,215
5,164	--	71,979	366,759
<u>123,474</u>	<u>342,625</u>	<u>89,967</u>	<u>4,196,977</u>
--	--	17,616	684,080
--	--	--	484,532
--	--	11,787	11,787
--	--	22,726	1,179,639
601,083	--	250	718,392
--	--	--	542,338
127,460	404,794	--	532,254
--	--	82,651	360,284
<u>728,543</u>	<u>404,794</u>	<u>135,030</u>	<u>4,513,306</u>
( 605,069)	( 62,169)	( 45,063)	( 316,329)
--	--	84,296	854,085
<u>--</u>	<u>--</u>	<u>( 5,000)</u>	<u>( 598,585)</u>
<u>--</u>	<u>--</u>	<u>79,296</u>	<u>255,500</u>
( 605,069)	( 62,169)	34,233	( 60,829)
<u>931,841</u>	<u>1,204,509</u>	<u>512,475</u>	<u>4,400,977</u>
<u>\$ 326,772</u>	<u>\$ 1,142,340</u>	<u>\$ 546,708</u>	<u>\$ 4,340,148</u>

CITY OF JEFFERSON, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2016

	<u>Special Revenue</u>			
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Streets	--	315,156	--	--
Urban renewal purpose	--	--	--	--
Debt service	--	--	--	--
Other purposes	--	--	594,283	313,071
Unassigned	<u>1,101,818</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 1,101,818</u>	<u>\$ 315,156</u>	<u>\$ 594,283</u>	<u>\$ 313,071</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue Urban Renewal Tax Increment</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ 177,262	\$ 177,262
--	--	--	315,156
326,772	--	--	326,772
--	1,142,340	--	1,142,340
--	--	369,446	1,276,800
<u>--</u>	<u>--</u>	<u>--</u>	<u>1,101,818</u>
<u>\$ 326,772</u>	<u>\$ 1,142,340</u>	<u>\$ 546,708</u>	<u>\$ 4,340,148</u>

CITY OF JEFFERSON, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2016

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$ --	\$ --
Charges for service	<u>974,306</u>	<u>896,196</u>
Total operating receipts	<u>974,306</u>	<u>896,196</u>
Operating disbursements:		
Business type activities	<u>744,915</u>	<u>403,163</u>
Total operating disbursements	<u>744,915</u>	<u>403,163</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	229,391	493,033
Non-operating receipts (disbursements):		
Intergovernmental	--	1,706
Interest on investments	2,662	2,744
Miscellaneous	25,928	1,863
Debt service	<u>--</u>	<u>( 291,347)</u>
Net non-operating receipts (disbursements)	<u>28,590</u>	<u>( 285,034)</u>
Excess (deficiency) of receipts over (under) disbursements	257,981	207,999
Other financing sources (uses):		
Operating transfers out	<u>( 77,000)</u>	<u>( 77,000)</u>
Change in cash balances	180,981	130,999
Cash balances beginning of year	<u>2,536,591</u>	<u>911,154</u>
Cash balances end of year	<u>\$ 2,717,572</u>	<u>\$ 1,042,153</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ 36,075
Unrestricted	<u>2,717,572</u>	<u>1,006,078</u>
Total cash basis fund balances	<u>\$ 2,717,572</u>	<u>\$ 1,042,153</u>

The accompanying notes are an integral part of these statements.

Enterprise		Total	Component Unit - Airport
Sanitation	Recycling Nonmajor		
\$ --	\$ --	\$ --	\$ 51,089
<u>469,480</u>	<u>123,153</u>	<u>2,463,135</u>	<u>--</u>
469,480	123,153	2,463,135	51,089
<u>462,399</u>	<u>127,180</u>	<u>1,737,657</u>	<u>613,136</u>
462,399	127,180	1,737,657	613,136
7,081	( 4,027)	725,478	( 562,047)
--	--	1,706	111,209
--	--	5,406	--
4,753	8,667	41,211	33,327
--	--	( 291,347)	--
<u>4,753</u>	<u>8,667</u>	<u>( 243,024)</u>	<u>144,536</u>
11,834	4,640	482,454	( 417,511)
( 87,000)	( 14,500)	( 255,500)	--
( 75,166)	( 9,860)	226,954	( 417,511)
<u>183,435</u>	<u>40,189</u>	<u>3,671,369</u>	<u>101,193</u>
<u>\$ 108,269</u>	<u>\$ 30,329</u>	<u>\$ 3,898,323</u>	<u>\$ ( 316,318)</u>
\$ --	\$ --	\$ 36,075	\$ --
<u>108,269</u>	<u>30,329</u>	<u>3,862,248</u>	<u>( 316,318)</u>
<u>\$ 108,269</u>	<u>\$ 30,329</u>	<u>\$ 3,898,323</u>	<u>\$ ( 316,318)</u>



CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jefferson, Iowa is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer, utilities, and sanitation and recycling services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jefferson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Jefferson (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Jefferson Municipal Airport Commission is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Commission was established pursuant to Chapter 330 of the Code of Iowa to operating the City's airport facility. The Commission is composed of five members appointed by the Jefferson City Council.

The Commission's operating budget is subject to the approval of the Jefferson City Council. The Jefferson Municipal Airport is presented as a Business Type Fund.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Greene County Recycling Agency, Central Iowa Area Safety and Support Organization, the E-911 Board, and the Golden Circle Municipal Officers Association.

City officials are also members of the Greene County Development Corporation (GCDC) Board. The City paid a total of \$45,000 to GCDC during the fiscal year ended June 30, 2016.

City officials are also members of the North Dallas County Landfill Commission. See Note 11 for disclosures.

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax.

The Employee Benefits Fund is used to account for the collection and use of tax levied for the cost of employee benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sanitation Fund accounts for the operation of the City's sanitation services.

The City reports the following component unit:

The Airport Fund accounts for the operation of the Jefferson Municipal Airport.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the public works, general government and business type activities functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City and its component unit own approximately \$2,327 of par value cooperative stock, which was acquired by patronage dividend. The stock is not readily marketable, and can only be redeemed by the Coop. The stock is recorded on the books at \$2,327. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa. The City's investment in the Coop stock is unrated.

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The fair value of the cooperative stock was determined using the coop book value. (Level 3 inputs)

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$374 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 405,000	\$ 107,340	\$ 245,000	\$ 45,688
2018	415,000	101,440	250,000	40,420
2019	420,000	95,885	255,000	35,045
2020	425,000	89,655	265,000	29,563
2021	435,000	82,838	270,000	23,865
2022-2026	1,390,000	294,982	840,000	36,335
2027-2031	710,000	175,433	--	--
2032-2035	650,000	48,792	--	--
	<u>\$ 4,850,000</u>	<u>\$ 996,365</u>	<u>\$ 2,125,000</u>	<u>\$ 210,916</u>

Year Ending June 30,	Housing Loan		Total	
	Principal	Interest	Principal	Interest
2017	\$ 17,796	\$ --	\$ 667,796	\$ 153,028
2018	--	--	665,000	141,860
2019	--	--	675,000	130,930
2020	--	--	690,000	119,218
2021	--	--	705,000	106,703
2022-2026	--	--	2,230,000	331,317
2027-2031	--	--	710,000	175,433
2032-2035	--	--	650,000	48,792
	<u>\$ 17,796</u>	<u>\$ --</u>	<u>\$ 6,992,796</u>	<u>\$ 1,207,281</u>

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Revenue Bonds

The City has pledged future sewer revenue receipts, net of specified operating disbursements to repay \$3,348,000 of sewer revenue bonds issued March, 2012. Proceeds of the bonds provided financing for the construction of sewer main improvements. The bonds are payable solely from the sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 59% of net receipts. Total principal and interest remaining to be paid on the bonds is \$2,335,916. For the current year, principal and interest paid and total customer net receipts were \$290,848 and \$493,033.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue sinking account within the Enterprise Funds for the sole purpose of making the bond principal and interest payments when due.

NOTE 4 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 - PENSION PLAN - Continued

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$142,427.



CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 - PENSION PLAN - Continued

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City's liability for its proportionate share of the net pension liability totaled \$820,376. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.016605%, which was an increase of 0.000661% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City pension expense, deferred outflows and deferred inflows totaled \$85,615, \$207,597, and \$272,864, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increases (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 1,653,940	\$ 820,376	\$ 117,066

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 - PENSION PLAN - Continued

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 32 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$506 for single coverage and \$1,154 for family coverage. For the year ended June 30, 2016, the City contributed \$346,772 and plan members eligible for benefits contributed \$35,793 to the plan.

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 17,000
Sick leave	<u>7,000</u>
Total	<u>\$ 24,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 67,000
	Employee Benefits	469,789
	Enterprise:	
	Water	77,000
	Sewer	77,000
	Sanitation	67,000
	Recycling	7,000
	Permanent:	
	Cemetery	5,000
		<u>769,789</u>
Special Revenue:		
Health Insurance	General	9,000
Special Revenue:		
Equipment Replacement	General	47,796
	Enterprise:	
	Sanitation	20,000
	Recycling	7,500
		<u>75,296</u>
		<u>\$ 854,085</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 8 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City Officials totaling \$15,205 during the year ended June 30, 2016.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFICIT BALANCE

The Cemetery Land Reserve Fund, Downtown Streetscape Fund, Housing Rehabilitation Fund, Downtown Buildings Fund, Downtown CDBG Fund, Airport Improvements Fund, and Drainage District #57 had deficit balances of \$1,413, \$418,237, \$8,967, \$15,251, \$39,582, \$488,208, and \$2,926, respectively at June 30, 2016. The deficits will be eliminated by receipt of property taxes, transfers and grant funds.

NOTE 11 - NORTH DALLAS COUNTY LANDFILL

An agency, the North Dallas County Landfill, has been established for the collection and disposal of solid waste. The Agency may not be accumulating sufficient financial resources, therefore, the City has an ongoing financial responsibility. Complete financial statements for the Agency can be obtained from the North Dallas County Landfill Agency.

NOTE 12 - LEASE

The City has entered into a lease agreement with Van Horn Partnership for approximately 133 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2016, the City received a total of \$33,334 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 13 - HEALTH INSURANCE

The City's health insurance plan includes a deductible of \$1,500 for single coverage and \$3,000 for family coverage. The City reimburses the first \$1,200 of the deductibles for individuals with single coverage and the first \$2,400 of the deductibles for individuals with family coverage after the employee has paid at least \$200 of the deductible on a single policy and \$400 of the deductible on a family policy. The City also pays up to a maximum of \$500 per employee per year for in-patient hospitalization. During the year ended June 30, 2016, the City reimbursed employees a total of \$5,685. The maximum liability the City could pay out in one fiscal year is \$83,700 based on the number of employees under single or family insurance at June 30, 2016.

NOTE 14 - CONSTRUCTION CONTRACTS

The City has entered into construction contract commitments totaling approximately \$2,322,000 that have remaining commitments at June 30, 2016 of approximately \$1,510,000. The unpaid contract balances will be financed with existing debt proceeds and future TIF collections.

NOTE 15 - SUBSEQUENT EVENT

The City has evaluated all subsequent events through January 25, 2017, the date the financial statements were available to be issued.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENT

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

\* \* \*

## OTHER INFORMATION

CITY OF JEFFERSON, IOWA  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION

Year ended June 30, 2016

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 1,932,225	\$ --	\$ 1,932,225
Tax increment financing	118,310	--	118,310
Other city tax	608,210	--	608,210
Licenses and permits	38,555	--	38,555
Use of money and property	38,864	56,495	95,359
Intergovernmental	720,839	112,915	833,754
Charges for service	373,215	2,463,135	2,836,350
Miscellaneous	366,759	74,538	441,297
Total receipts	<u>4,196,977</u>	<u>2,707,083</u>	<u>6,904,060</u>
Disbursements:			
Public safety	684,080	--	684,080
Public works	484,532	--	484,532
Health and social services	11,787	--	11,787
Culture and recreation	1,179,639	--	1,179,639
Community and economic development	718,392	--	718,392
General government	542,338	--	542,338
Debt service	532,254	--	532,254
Capital projects	360,284	--	360,284
Business type activities	--	2,642,140	2,642,140
Total disbursements	<u>4,513,306</u>	<u>2,642,140</u>	<u>7,155,446</u>
Excess (deficiency) of receipts over (under) disbursements	( 316,329)	64,943	( 251,386)
Other financing sources (uses), net	<u>255,500</u>	<u>( 255,500)</u>	<u>--</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	( 60,829)	( 190,557)	( 251,386)
Balances beginning of year	<u>4,400,977</u>	<u>3,772,562</u>	<u>8,173,539</u>
Balances end of year	<u>\$ 4,340,148</u>	<u>\$ 3,582,005</u>	<u>\$ 7,922,153</u>

See accompanying independent auditor's report.



Budgeted Amount		Final to Total Variance
Original	Final	
\$ 1,813,407	\$ 1,809,509	\$ 122,716
123,100	123,100	( 4,790)
621,163	745,061	( 136,851)
30,500	40,500	( 1,945)
92,377	88,377	6,982
519,090	1,249,524	( 415,770)
3,179,786	2,940,786	( 104,436)
41,750	103,750	337,547
<u>6,421,173</u>	<u>7,100,607</u>	<u>( 196,547)</u>
641,050	735,846	51,766
416,784	416,784	( 67,748)
14,000	14,000	2,213
1,159,903	1,236,403	56,764
357,978	1,240,533	522,141
507,383	507,383	( 34,955)
331,000	1,439,200	906,946
304,000	1,056,000	695,716
<u>2,029,324</u>	<u>2,258,459</u>	<u>( 383,681)</u>
<u>5,761,422</u>	<u>8,904,608</u>	<u>1,749,162</u>
659,751	( 1,804,001)	1,552,615
<u>25,000</u>	<u>25,000</u>	<u>( 25,000)</u>
684,751	( 1,779,001)	1,527,615
<u>5,640,333</u>	<u>5,640,333</u>	<u>2,533,206</u>
<u>\$ 6,325,084</u>	<u>\$ 3,861,332</u>	<u>\$ 4,060,821</u>

CITY OF JEFFERSON, IOWA  
NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Enterprise Funds, and the Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,143,186. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the public works, general government and business type activities functions.

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TWO YEARS\*  
(IN THOUSANDS)

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.016605%	0.015944%
City's proportionate share of the net pension liability	\$ 820	\$ 632
City's covered-employee payroll:	\$ 1,554	\$ 1,520
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	52.77%	41.58%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 3 FISCAL YEARS  
(IN THOUSANDS)

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 142	\$ 143	\$ 140
Contributions in relation to the statutorily required contribution	( 142)	( 143)	( 140)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 1,561	\$ 1,554	\$ 1,520
Contributions as a percentage of covered-employee payroll	9.10%	9.20%	9.21%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA  
NOTES TO OTHER INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

\* \* \*

See accompanying independent auditor's report.

## SUPPLEMENTARY INFORMATION

CITY OF JEFFERSON, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

	Special Revenue			
	Cafeteria Plan	Payroll Clearing	Police Federal Forfeiture	Health Insurance
Receipts:				
Use of money and property	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	653	--
Miscellaneous	6,040	--	--	22,032
Total receipts	6,040	--	653	22,032
Disbursements:				
Operating:				
Public safety	--	--	65	--
Health and social services	4,960	--	--	6,827
Culture and recreation	--	--	--	--
Community and economic development	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	4,960	--	65	6,827
Excess (deficiency) of receipts over (under) disbursements	1,080	--	588	15,205
Other financing sources (uses):				
Operating transfers in	--	--	--	9,000
Operating transfers out	--	--	--	--
Total other financing sources	--	--	--	9,000
Change in cash balances	1,080	--	588	24,205
Cash balances beginning of year	2,783	7,333	184	88,791
Cash balances end of year	\$ 3,863	\$ 7,333	\$ 772	\$ 112,996
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Other purposes	3,863	7,333	772	112,996
Total cash basis fund balances	\$ 3,863	\$ 7,333	\$ 772	\$ 112,996

(continued next page)

Special Revenue					
Equipment Replacement	Unemployment Compensation	Industrial Development	Community Center	Cemetery Mausoleum	Library
\$ 76	\$ --	\$ 35	\$ 2	\$ 23	\$ --
--	--	--	--	--	8,690
--	--	--	--	--	17,263
<u>76</u>	<u>--</u>	<u>35</u>	<u>2</u>	<u>23</u>	<u>25,953</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	70	20,690
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>70</u>	<u>20,690</u>
76	--	35	2	( 47)	5,263
75,296	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>75,296</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
75,372	--	35	2	( 47)	5,263
<u>170,438</u>	<u>28,600</u>	<u>34,928</u>	<u>5,786</u>	<u>11,379</u>	<u>69,419</u>
<u>\$ 245,810</u>	<u>\$ 28,600</u>	<u>\$ 34,963</u>	<u>\$ 5,788</u>	<u>\$ 11,332</u>	<u>\$ 74,682</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
<u>245,810</u>	<u>28,600</u>	<u>34,963</u>	<u>5,788</u>	<u>11,332</u>	<u>74,682</u>
<u>\$ 245,810</u>	<u>\$ 28,600</u>	<u>\$ 34,963</u>	<u>\$ 5,788</u>	<u>\$ 11,332</u>	<u>\$ 74,682</u>



CITY OF JEFFERSON, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

	Special Revenue			
	Skate Park	Cemetery Land Reserve	LEC Capital Improvement	Enrich Iowa
Receipts:				
Use of money and property	\$ --	\$ 3	\$ --	\$ --
Intergovernmental	--	--	4,607	1,966
Miscellaneous	--	--	--	--
Total receipts	--	3	4,607	1,966
Disbursements:				
Operating:				
Public safety	--	--	17,551	--
Health and social services	--	--	--	--
Culture and recreation	--	--	--	1,966
Community and economic development	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	--	--	17,551	1,966
Excess (deficiency) of receipts over (under) disbursements	--	3	( 12,944)	--
Other financing sources (uses):				
Operating transfers in	--	--	--	--
Operating transfers out	--	--	--	--
Total other financing sources	--	--	--	--
Change in cash balances	--	3	(12,944)	--
Cash balances beginning of year	1,525	( 1,416)	13,840	1,386
Cash balances end of year	\$ 1,525	\$ ( 1,413)	\$ 896	\$ 1,386
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Other purposes	1,525	( 1,413)	896	1,386
Total cash basis fund balances	\$ 1,525	\$ ( 1,413)	\$ 896	\$ 1,386

(continued next page)

Special Revenue				
Downtown Streetscape	Housing Rehabilitation	Neighborhood Stabilization	Downtown Building	Downtown CDBG
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
503	--	--	16,591	--
503	--	--	16,591	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	250	--	--	--
4,876	--	--	31,842	39,582
4,876	250	--	31,842	39,582
( 4,373)	( 250)	--	( 15,251)	( 39,582)
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
( 4,373)	( 250)	--	( 15,251)	( 39,582)
( 413,864)	( 8,717)	130,771	--	--
\$( 418,237)	\$( 8,967)	\$ 130,771	\$( 15,251)	\$( 39,582)
\$ --	\$ --	\$ --	\$ --	\$ --
( 418,237)	( 8,967)	130,771	( 15,251)	( 39,582)
\$( 418,237)	\$( 8,967)	\$ 130,771	\$( 15,251)	\$( 39,582)

CITY OF JEFFERSON, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2016

	<u>Special Revenue Insurance and Employee Benefits</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
Receipts:				
Use of money and property	\$ --	\$ --	\$ --	\$ 139
Intergovernmental	--	1,933	--	17,849
Miscellaneous	--	3,150	6,400	71,979
Total receipts	<u>--</u>	<u>5,083</u>	<u>6,400</u>	<u>89,967</u>
Disbursements:				
Operating:				
Public safety	--	--	--	17,616
Health and social services	--	--	--	11,787
Culture and recreation	--	--	--	22,726
Community and economic development	--	--	--	250
Capital projects	<u>--</u>	<u>6,351</u>	<u>--</u>	<u>82,651</u>
Total disbursements	<u>--</u>	<u>6,351</u>	<u>--</u>	<u>135,030</u>
Excess (deficiency) of receipts over (under) disbursements	--	( 1,268)	6,400	( 45,063)
Other financing sources (uses):				
Operating transfers in	--	--	--	84,296
Operating transfers out	<u>--</u>	<u>--</u>	<u>( 5,000)</u>	<u>( 5,000)</u>
Total other financing sources	<u>--</u>	<u>--</u>	<u>( 5,000)</u>	<u>79,296</u>
Change in cash balances	--	( 1,268)	1,400	34,233
Cash balances beginning of year	<u>45,090</u>	<u>148,357</u>	<u>175,862</u>	<u>512,475</u>
Cash balances end of year	<u>\$ 45,090</u>	<u>\$ 147,089</u>	<u>\$ 177,262</u>	<u>\$ 546,708</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ 177,262	\$ 177,262
Restricted for:				
Other purposes	<u>45,090</u>	<u>147,089</u>	<u>--</u>	<u>369,446</u>
Total cash basis fund balances	<u>\$ 45,090</u>	<u>\$ 147,089</u>	<u>\$ 177,262</u>	<u>\$ 546,708</u>

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA  
SCHEDULE OF INDEBTEDNESS  
Year ended June 30, 2016

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Urban renewal corporate purpose	June 12, 2012	.90-1.90%	\$ 2,325,000
Corporate purpose	November 30, 2012	2.00%	405,000
Urban renewal corporate purpose - Casino	June 29, 2015	2.00-3.70%	2,420,000
Golf Course	June 29, 2015	2.50%	300,000
Total General Obligation Bonds			
Revenue Bonds:			
Sewer	March 15, 2012	2.15%	3,348,000
Housing Loan	February 11, 2014	3.00%	17,796

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 2,325,000	\$ --	\$ 300,000	\$ 2,025,000	\$ 30,400	\$ 2,533
205,000	--	100,000	105,000	4,100	342
2,420,000	--	--	2,420,000	64,177	10,696
<u>300,000</u>	<u>--</u>	<u>--</u>	<u>300,000</u>	<u>6,917</u>	<u>1,153</u>
<u>\$ 5,250,000</u>	<u>\$ --</u>	<u>\$ 400,000</u>	<u>\$ 4,850,000</u>	<u>\$ 105,594</u>	<u>\$ 14,724</u>
<u>\$ 2,365,000</u>	<u>\$ --</u>	<u>\$ 240,000</u>	<u>\$ 2,125,000</u>	<u>\$ 50,848</u>	<u>\$ 4,237</u>
<u>\$ --</u>	<u>\$ 17,796</u>	<u>\$ --</u>	<u>\$ 17,796</u>	<u>\$ --</u>	<u>\$ --</u>

CITY OF JEFFERSON, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2016

General Obligation Bonds						
Year ending June 30,	Urban Renewal Corporate Purpose		Corporate Purpose		Urban Renewal Corporate Purpose - Casino	
	Issued June 12, 2012		Issued November 30, 2012		Issued June 29, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2017	0.90%	\$ 300,000	2.00%	\$ 105,000		\$ --
2018	1.10%	305,000	--	--	2.00%	110,000
2019	1.30%	310,000	--	--	2.00%	110,000
2020	1.45%	315,000	--	--	2.00%	110,000
2021	1.55%	320,000	--	--	2.00%	115,000
2022	1.75%	325,000	--	--	2.00%	115,000
2023	1.90%	150,000	--	--	2.50%	115,000
2024		--	--	--	2.50%	125,000
2025		--	--	--	2.50%	130,000
2026		--	--	--	2.70%	130,000
2027		--	--	--	3.00%	135,000
2028		--	--	--	3.00%	140,000
2029		--	--	--	3.00%	140,000
2030		--	--	--	3.10%	145,000
2031		--	--	--	3.40%	150,000
2032		--	--	--	3.40%	155,000
2033		--	--	--	3.70%	160,000
2034		--	--	--	3.70%	165,000
2035		--	--	--	3.70%	170,000
		<u>\$2,025,000</u>		<u>\$ 105,000</u>		<u>\$2,420,000</u>
Revenue Notes						
Year ending June 30,	Sewer		Housing Loan			
	Issued March, 2012		Issued February 11, 2014			
	Interest Rates	Amount	Interest Rates	Amount		
2017	2.15%	\$ 245,000	3.00%	\$ 17,796		
2018	2.15%	250,000		--		
2019	2.15%	255,000		--		
2020	2.15%	265,000		--		
2021	2.15%	270,000		--		
2022	2.15%	275,000		--		
2023	2.15%	280,000		--		
2024	2.15%	285,000		--		
		<u>\$2,125,000</u>		<u>\$ 17,796</u>		

See accompanying independent auditor's report.

General Obligation Bonds Golf Course		
Issued June 29, 2015		
Interest Rate	Amount	Total
	\$ --	\$ 405,000
	--	415,000
	--	420,000
	--	425,000
	--	435,000
	--	440,000
2.50%	150,000	415,000
2.50%	150,000	275,000
	--	130,000
	--	130,000
	--	135,000
	--	140,000
	--	140,000
	--	145,000
	--	150,000
	--	155,000
	--	160,000
	--	165,000
	--	170,000
	<u>\$ 300,000</u>	<u>\$ 4,850,000</u>

CITY OF JEFFERSON, IOWA  
SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
For the Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Receipts:				
Property tax	\$ 1,932,225	\$ 1,902,406	\$ 1,844,801	\$ 1,812,279
Tax increment financing	118,310	109,844	121,253	123,983
Other city tax	608,210	501,572	464,053	441,741
Licenses and permits	38,555	49,858	28,408	22,408
Use of money and property	38,864	33,090	23,068	4,409
Intergovernmental	720,839	757,014	765,826	984,128
Charges for service	373,215	370,175	339,652	438,195
Miscellaneous	<u>366,759</u>	<u>181,053</u>	<u>212,422</u>	<u>362,274</u>
Total	<u>\$ 4,196,977</u>	<u>\$ 3,905,012</u>	<u>\$ 3,799,483</u>	<u>\$ 4,189,417</u>
Disbursements:				
Operating:				
Public safety	\$ 684,080	\$ 617,761	\$ 619,909	\$ 592,421
Public works	484,532	435,810	478,777	411,183
Health and social services	11,787	24,399	12,510	21,065
Culture and recreation	1,179,639	1,056,589	1,027,617	895,093
Community and economic development	718,392	1,417,933	803,432	1,063,153
General government	542,338	524,614	530,120	507,874
Debt service	532,254	458,601	480,622	414,524
Capital projects	360,284	275,450	640,648	2,231,786
Business type activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>130,698</u>
Total	<u>\$ 4,513,306</u>	<u>\$ 4,811,157</u>	<u>\$ 4,593,635</u>	<u>\$ 6,267,797</u>

See accompanying independent auditor's report.



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,794,961	\$ 1,719,267	\$ 1,691,846	\$ 1,664,104	\$ 1,558,793	\$ 1,586,705
52,999	126,533	114,103	113,542	358,511	307,079
413,014	425,258	425,470	461,913	335,753	144,994
23,099	16,912	23,739	17,592	26,435	33,796
4,829	12,345	18,029	29,917	35,073	35,863
1,047,001	1,399,726	1,387,136	518,174	691,411	742,255
423,233	368,017	372,619	377,566	395,006	413,822
<u>440,640</u>	<u>142,873</u>	<u>88,851</u>	<u>389,056</u>	<u>104,313</u>	<u>97,895</u>
<u>\$ 4,199,776</u>	<u>\$ 4,210,931</u>	<u>\$ 4,121,793</u>	<u>\$ 3,571,864</u>	<u>\$ 3,505,295</u>	<u>\$ 3,362,409</u>
\$ 839,472	\$ 556,021	\$ 599,584	\$ 522,416	\$ 586,397	\$ 497,633
370,876	670,334	548,141	395,213	398,133	371,245
16,365	9,166	555,759	224,503	608,126	297,139
938,327	808,607	4,755	9,202	6,740	7,988
754,177	846,638	809,681	865,424	834,445	871,208
488,136	478,417	456,253	447,921	867,015	435,667
1,360,326	353,579	334,210	337,605	461,684	588,602
1,281,238	472,417	571,143	583,660	59,528	155,407
<u>120,628</u>	<u>108,057</u>	<u>105,400</u>	<u>114,192</u>	<u>81,851</u>	<u>207,691</u>
<u>\$ 6,169,545</u>	<u>\$ 4,303,236</u>	<u>\$ 3,984,926</u>	<u>\$ 3,500,136</u>	<u>\$ 3,903,919</u>	<u>\$ 3,432,580</u>

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 25, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Jefferson's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jefferson's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and  
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: I-A-16

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Jefferson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Responses to the Findings**

The City of Jefferson's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Jefferson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Conner Wald, Ben, Kylin & Co. P. C.*

Atlantic, Iowa  
January 25, 2017

CITY OF JEFFERSON, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2016

PART I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

I-A-16 Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

CITY OF JEFFERSON, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2016

PART II: Other Findings Related to Statutory Reporting

- II-A-16 Certified Budget: Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public works, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: In the future the budget will be amended before disbursements are allowed that would exceed the City's spending authority.

Conclusion: Response accepted.

- II-B-16 Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-16 Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

- II-D-16 Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Derek Teeples, brother of employee and son of Council Member, owner of Teeples Heating and Cooling	Services	\$ 430
Danny Moranville and Craig Kinsey, City employees and owners of Cityboys Elite Concrete	Services	14,375
David Sloan, Council Member, part-owner of Jefferson Monument Works	Services	400

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individuals do not represent conflicts of interest. The services with Cityboys Elite Concrete were entered into through the competitive bidding process. The services with Teeples Heating and Cooling and Jefferson Monument Works total transactions were less than \$1,500 during the fiscal year.

CITY OF JEFFERSON, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2016

PART II: Other Findings Related to Statutory Reporting - Continued

II-E-16 Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-16 Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-16 Deposits and Investments: The City and its component unit own \$2,327 par value common stock of the West Central Cooperative. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

The stock is not readily marketable, and can only be redeemed by the Coop and thus no market value of the shares is determinable. However, the City should monitor the marketability of the stock and consider selling the stock if a market becomes available.

II-H-16 Depository Resolution: The City was not able to locate its current resolution naming its official depositories and maximum covered deposit amounts as required by Chapter 12C of the Code of Iowa.

Recommendation: We recommend that the City adopt a depository resolution naming its official depositories and maximum covered deposit amounts for each depository in accordance with Chapter 12C of the Code of Iowa.

Response: A depository resolution will be adopted.

Conclusion: Response accepted.

CITY OF JEFFERSON, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2016

PART II: Other Findings Related to Statutory Reporting - Continued

II-I-16 Financial Condition: The following funds had deficit balances at June 30, 2016.

Special Revenue - Cemetery Land Reserve	\$ 1,413
Downtown Streetscape	418,237
Housing Rehabilitation	8,967
Downtown Buildings	15,251
Downtown CDBG	39,582
Component Unit - Airport Improvement	488,208
Drainage District #57	2,926

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position

Response: The deficits will be eliminated.

Conclusion: Response accepted.

II-J-16 Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-K-16 Tax Increment Financing (TIF): Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. No exceptions were noted.

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